

THE BALDWIN COMPANY

Cincinnati, Ohio

April 3, 1944

ANNUAL REPORT TO SHAREHOLDERS EIGHTY-FIRST YEAR

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To the Shareholders of The Baldwin Company:

Sales of pianos for the year 1943 amounted to \$1,595,084.11.

After deduction of depreciation charges amounting to \$38,361.69, and provision for Federal Income Taxes amounting to \$180,000.00, net profit from all sources was \$210,369.00 for the year 1943, compared with \$326,557.86 for the year 1942.

The volume of war-contract business during 1943 is not included in the sales reported above. However, the earnings from war-contract operations are included in the total net profits reported.

Consolidated Balance Sheets as of December 31, 1943 and 1942 and Analysis of Surplus Accounts for the year 1943 are appended hereto.

On December 31, 1943, Total Current Assets amounted to \$6,390,550.50 and Current Liabilities to \$1,534,722.40, which is a ratio of 4.2 to 1. Principal changes during the past year in Current Accounts are as follows: Cash increased \$392,881.02, United States Government obligations increased \$779,913.40, Reimbursable Expenditures on Government Contracts increased \$413,553.12. An item entitled "Vendors' Termination Claims" amounting to \$949,343.31 appears both under Accounts Receivable and Accounts Payable. This item represents claims by suppliers of material to us under Government Contracts now terminated, which claims have not yet been finally determined.

Our Customers' Accounts Receivable have been reduced by \$1,192,452.90 during the year. Inventory of Finished Pianos and Accessories has been reduced \$455,578.23.

Due to the large reduction in Customers' Accounts Receivable during the year, \$244,130.01 have been transferred from the Reserve for Possible Losses on such accounts to the Reserve for Contingencies. This latter Reserve has been built up to \$1,103,877.46 at the end of 1943.

During the year 1943 regular dividends were paid on the 6% Cumulative Preferred Stocks and dividends aggregating \$1.00 per share were paid on the Common Stock. Net increase in Earned Surplus, after all charges and credits, amounted to \$36,028.74.

We have not been allowed to build pianos during 1943. Our factory facilities and personnel during the year have been entirely devoted to war work. During the first six months, the fine craftsmen, who had been building pianos for years, were fabricating plywood wing sections for cargo transports and trainer planes, in accordance with accurate aircraft specifications.

In August our contract for plywood wing sections for cargo transports was cancelled, and it became apparent that the whole Government plywood airplane program would be greatly reduced.

In order to obtain new contracts to keep our organization employed in the war effort, it was necessary to convert a large part of our facilities and retrain many of our personnel to working in metal. This has been done and we are now successfully engaged in important metal work assembly for the long range bomber program.

We believe that, as a result of our varied experiences, our organization will have gained valuable training and knowledge. It is impossible to predict at this time, when we shall be able to return to the production of pianos. In the meantime, however, we are making plans and co-ordinating our activities to be ready to take the best possible advantage of such opportunities as may develop in the post-war business world.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY AND SUBS
CONDENSED CONSOLIDATED
AS OF DECEMBER 31, 1942

ASSETS	December 31, 1943	December 31, 1942
Cash in Bank and on Hand.....	\$1,239,183.55	\$ 846,302.53
United States Government		
Obligations	1,359,913.40	580,000.00
Accounts Receivable:		
Reimbursable Expenditures on		
Government Contracts	2,194,241.95	1,780,688.83
Vendors' Termination Claims on		
Government Contracts (Contra)	949,343.31	—0—
Customers' Accounts	\$ 384,644.06	\$1,577,096.96
Less: Dealers' Contingent Equities..	25,731.77	264,440.66
	<u>\$ 358,912.29</u>	<u>\$1,312,656.30</u>
Less: Reserve for Possible Losses....	103,230.56	332,392.06
	<u>255,681.73</u>	<u>980,264.24</u>
Inventories:		
Finished Pianos and Accessories.....	\$ 463,197.90	\$ 918,776.13
Less: Inventory Reserve.....	71,011.34	71,011.34
	<u>392,186.56</u>	<u>847,764.79</u>
Total Current Assets	<u>\$6,390,550.50</u>	<u>\$5,035,020.39</u>
Inventories:		
Piano Making Raw Material and		
Work in Process	\$ 565,185.31	\$ 627,677.79
Less: Inventory Reserve	126,490.08	131,422.73
	<u>438,695.23</u>	<u>496,255.06</u>
Plant and Equipment:		
Real Estate and Buildings.....	\$1,223,527.86	\$1,218,970.16
Machinery and Equipment.....	994,189.31	1,086,358.43
	<u>\$2,217,717.17</u>	<u>\$2,305,328.59</u>
Less: Reserve for Depreciation.....	1,426,251.28	1,475,406.76
	<u>791,465.89</u>	<u>829,921.83</u>
Other Assets	72,184.27	39,301.50
Deferred Charges to Future		
Operations	15,611.65	18,320.15
Total Assets	<u><u>\$7,708,507.54</u></u>	<u><u>\$6,418,818.93</u></u>

ANALYSIS OF CONSOLIDATED SURPLUS ACCO

Balances, January 1, 1943	
Add:	
Net Profit for year ended December 31, 1943.....	\$ 210,369.0
Adjustment of prior years' Federal Income	
Tax Accrual	<u>61,775.7</u>
Deduct:	
Dividends Paid on Preferred Stock.....	\$ 102,336.0
Dividends Paid on Common Stock.....	<u>133,780.0</u>
Balances, December 31, 1943	

AUDITOR'S C

To the Stockholders of The Baldwin Company:

We have examined the consolidated balance sheet of THE BALDWIN COMPANY and its subsidiary as of December 31, 1943, and the consolidated statements of income and surplus for the year then ended; have reviewed the accounting procedures and the system of internal control of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures

DIARY (The Baldwin Piano Company)

ATED BALANCE SHEETS

2 AND DECEMBER 31, 1943

LIABILITIES AND CAPITAL	December 31, 1943		December 31, 1942	
Accounts Payable				
Regular	\$ 293,790.23		\$ 193,738.15	
Vendors' Termination Claims.....	949,343.31	\$1,243,133.54	—0—	
Accrued Expenses		59,333.39	79,042.18	
Federal Excise Tax.....		10,107.84	24,462.29	
Federal Income Taxes.....		222,147.63	351,735.47	
Total Current Liabilities.....		\$1,534,722.40	\$ 648,978.09	
Deferred Credits (Subject to Final Determination)		193,146.90	116,476.17	
Reserve for Contingencies.....		1,103,877.46	812,632.63	
Capital Stock and Surplus:				
Capital Stock:				
Preferred—				
6% Issue of 1901-1903				
Issued and Outstanding 2,327				
Shares	\$ 232,700.00		\$ 232,700.00	
Less: In Treasury.....	69,300.00	163,400.00	69,300.00	163,400.00
6% Issue of 1924, Series A,				
Issued and Outstanding 20,000				
Shares	\$2,000,000.00		\$2,000,000.00	
Less: In Treasury.....	457,800.00	1,542,200.00	457,800.00	1,542,200.00
Common—				
Issued and Outstanding				
133,786.6 Shares		1,070,292.80		1,070,292.80
Surplus:				
Capital	\$ 284,686.37		\$ 284,686.37	
Earned	1,816,181.61	2,100,867.98	1,780,152.87	2,064,839.24
Total Liabilities and Capital.....		<u>\$7,708,507.54</u>		<u>\$6,418,818.93</u>

UNTS FOR YEAR ENDED DECEMBER 31, 1943

Total	Capital Surplus	Earned Surplus	
\$2,064,839.24	\$ 284,686.37	\$1,780,152.87	
		\$ 210,369.00	
272,144.74		61,775.74	272,144.74
\$2,336,983.98	\$ 284,686.37	\$2,052,297.61	
		\$ 102,336.00	
236,116.00		133,780.00	236,116.00
<u>\$2,100,867.98</u>	<u>\$ 284,686.37</u>	<u>\$1,816,181.61</u>	

CERTIFICATE

were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated surplus present fairly the position of THE BALDWIN COMPANY and its subsidiary at December 31, 1943, and the result of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CINCINNATI, OHIO
March 24, 1944

MURPHY, LANIER & QUINN,
Public Accountants

OFFICERS:

Lucien Wulsin.....President and Treasurer
J. P. Thornton.....Vice-President
Philip Wyman.....Vice-President
A. J. Schoenberger.....Secretary
W. H. Smith.....Asst. Treasurer
R. F. Coghill.....Asst. Secretary
Irwin Stumborg.....Asst. Secretary

DIRECTORS:

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	Louisville
Pittsburgh	Kansas City	San Francisco

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANY
The Baldwin Piano Company